TOURISM BRITISH COLUMBIA

CANADA

2002 TOURISM OUTLOOK

BUILDING TOURISM WITH INSIGHT

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The 2002 Tourism Outlook presents Tourism British Columbia's forecast of market performance for the coming year. The terrorist attacks of September 11th, 2001 and the deteriorating condition of the global economy had a dramatic impact on the tourism industry during the last four months of 2001, leading to the first decline in visitor volume since 1991. While the fear of terrorism is subsiding and there are signs of global economic recovery, Tourism BC anticipates that the events of 2001 will continue to have an impact on travel through the first half of 2002, with a recovery delayed until later in the year. The recovery is expected to lead to positive growth in 2003.

Given this, overall visitation to BC during 2002 is forecast to decrease 0.8% to a total of 22.2 million overnight visitors, generating $9.0 billion in revenue. Short haul markets are expected to perform better than long haul markets as travelers will have a tendency to stay closer to home, while business travel will be more affected by the economic environment and security concerns than leisure travel.

Visitation from North American markets is forecast to decrease 0.7% in 2002 with visitation from the United States expected to fall 2.0%, due to economic factors and the continued impact of September 11th. Following a decline of 3.0% during 2001, visitation from Asia/Pacific markets is forecast to fall a further 2.1% in 2002, while visitation from Europe is expected to decrease 1.8%. Surveys of household travel intentions and motivations, mid-range projections of economic conditions and forward-looking indicators of business activity were all utilized in the development of these forecasts.

2002 presents a challenging forecast environment and Tourism BC will closely monitor several key factors that will influence industry performance during the year. These include, but are not limited to, the rates of economic growth in key markets, fluctuations in the value of the Canadian dollar relative to key international currencies, the impact of border security measures, changes in air seat capacity and airfares and, of course, concerns about terrorism.

Market Origin	% Share Overnight Visitor Volume	2002 Overnight Visitor Volume Forecast (000's)	% Change From 2001	% Share Overnight Visitor Revenue	2002 Overnight Visitor Revenue Forecast ($M)	% Change From 2001
North America	**92.9%**	**20,603**	**-0.7%**	**82.4%**	**7,436**	**-2.2%**
BC Resident	48.5%	10,761	0.0%	26.9%	2,427	-1.0%
Other Canada	21.6%	4,789	-0.9%	29.7%	2,679	-2.6%
United States (incl. Mexico)	22.8%	5,053	-2.0%	25.8%	2,330	-2.9%
Total Overseas	**7.1%**	**1,579**	**-2.2%**	**17.6%**	**1,585**	**-2.8%**
Asia/Pacific	3.8%	834	-2.1%	9.9%	894	-2.8%
Europe	2.7%	608	-1.8%	6.9%	622	-2.5%
Other Overseas	0.6%	136	-5.0%	0.8%	70	-6.0%
Total International	**29.9%**	**6,632**	**-2.0%**	**43.4%**	**3,915**	**-2.9%**
Total Non B.C. Resident	**51.5%**	**11,421**	**-1.5%**	**73.1%**	**6,594**	**-2.8%**
Total	**100.0%**	**22,182**	**-0.8%**	**100.0%**	**9,021**	**-2.3%**

- *Market share based on Statistics Canada customs entries and BC Visitor Study estimates.*
- *Figures for 2001 in this document are estimates and will be revised when final year-end data is available.*
- *Readers are advised that Tourism BC's forecast is subject to revision throughout the balance of the year and the contents of this report should not be construed as a recommendation on policy or actions.*

North America 2002 Outlook	2002 Overnight Visitor Volume Forecast (000s)	% Change From 2001	2002 Overnight Visitor Revenue Forecast ($M)	% Change From 2001
Total	***20,603***	***-0.7%***	***7,436***	***-2.2%***
British Columbia	10,761	0.0%	2,427	-1.0%
Other Canada	4,789	-0.9%	2,679	-2.6%
United States	4,982	-2.0%	2,281	-3.0%
Mexico	71	0.0%	49	-1.0%

Visitation from North America is forecast to decrease 0.7% in 2002 to 20.6 million overnight visitors, who will spend an estimated $7.4 billion in the province. With the exception of Alberta, North American markets are expected to show no growth or modest declines during 2002, reflecting the impact of safety concerns and a slow economy.

British Columbia: The provincial economy is expected to experience slow growth during 2002, which will limit the potential of the British Columbia resident market this year. Economic recovery in key markets and an improving business environment in British Columbia will be positive factors but their influence on resident travel will probably not be felt until 2003. The shift to short haul travel following September 11th and continued weakness of the Canadian dollar will partially offset the negative impact of the economy and trade disputes, resulting in the forecast that visitation levels will be maintained in 2002.

Canada: Visitation from Alberta, British Columbia's largest Canadian market, is forecast to grow by 1.0% in 2002 as it is anticipated that oil prices will firm up and the Alberta economy will perform relatively well. The shift to shorter haul trips, continued development of the BC Rockies as a getaway destination and improved access to the Okanagan and Vancouver Island through WestJet will all contribute to a modest increase in visitation to British Columbia.

Visitation from Ontario is predicted to fall 5.0% as economic growth is expected to be weak, air capacity to British Columbia has decreased significantly and airfares have risen. The shift to short haul travel will keep Ontarians closer to home, thus negatively impacting travel to British Columbia. The Ontario economy is very dependent on exports to the United States, thus its recovery will follow that of the United States, with a lag. The potential entrance of WestJet into the Toronto market and the expansion of Tango may ease air access issues later in the year.

The forecast for Canadian markets assumes that: 1) the Canadian economy will expand by 1.5% to 2.5% in 2002, 2) fuel prices will remain stable over the coming year, 3) air access to and within British Columbia will gradually improve through the year, and 4) the Canadian dollar will not strengthen significantly during 2002, encouraging Canadians to travel within Canada.

United States: Visitation from the US is forecast to fall 2.0% during 2002. Visitation from the United States rose 3.1% during January to August of 2001 but fell 7.0% during September to December, resulting in growth of 0.4% for the year. The forecast for 2002 is based on the view that the residual impacts of September 11th, a relatively weak economy, and significant decreases in air seat capacity from long haul US markets will result in decreases in visitation through the first half of 2002 with positive growth resuming late in 2002. Household surveys have found that Americans still plan to travel in 2002 but closer to home and are more likely to drive. This bodes well for the regional US market, although concerns about delays at border crossings may have a negative effect. Surveys have also found that business travel has suffered more due to September 11th than leisure travel.

This forecast assumes that the American economy will gradually recover through 2002, the Canada-US exchange rate will remain in its current range, there will be no further terrorist attacks and that delays at border crossings will be manageable through the summer. If either is not true, US visitation will be significantly affected. Tourism BC will track events closely through the year and revise the forecast as necessary.

Asia/Pacific 2002 Outlook	2002 Overnight Visitor Volume Forecast (000s)	% Change From 2001	2002 Overnight Visitor Revenue Forecast ($M)	% Change From 2001
Total	***834***	***-2.1%***	***$894***	***-2.8%***
Japan	251	-8.0%	$241	-8.9%
Australia & New Zealand	151	0.0%	$178	-1.0%
Taiwan	83	-2.0%	$105	-3.0%
Hong Kong	82	0.0%	$90	-1.0%
South Korea	98	0.0%	$94	-1.0%
China	65	10.0%	$72	8.9%
Other Asia/Pacific	104	0.0%	$114	-1.0%

Tourism BC forecasts that overnight visitation from the Asia/Pacific region will decline 2.1%, to 834,000 visitors, generating $894 million in revenue during 2002. This follows an estimated decrease of 3.0% in visitation for 2001, as September 11th and the global economic slowdown had significant impacts on travel. Visitation in 2002 will decline through the first half of the year, but will, as travelers recover from the psychological impacts of September 11th and key economies gradually improve, start to rebound later in the year.

Japan: Visitation from Japan is forecast to fall 8.0% in 2002, following a 7.9% decline in 2001. Japanese travelers have been particularly affected by safety concerns about air travel to North America in the wake of September 11th. In addition, the Japanese economy fell back into recession during 2001 and the economic outlook for 2002 is not promising. If the economy continues to perform poorly the recent weakening of the Yen against the Canadian dollar may worsen, thus increasing the cost of visiting British Columbia. Air access also continues to be a problem area. The 2002 World Cup, which Japan is co-hosting with South Korea, may also decrease summer travel.

Australia: Visitation from Australia is expected to show no growth during 2002. Growing interest in British Columbia, particularly winter products, and, to a lesser extent, cruises, and relatively positive economic conditions will be offset in 2002 by reduced air access and the impact of a weak dollar. The demise of Canada 3000 eliminated over 16,000 seats from Australia to Vancouver in the first half of 2002, while the weak exchange rate between the Australian and Canadian dollar has increased the cost of visiting British Columbia. Tourism BC is optimistic about the long-term prospects for the Australian market, but short-term issues will inhibit growth in 2002.

Taiwan & South Korea: Visitation from Taiwan fell 27.9% during 2001 and is forecast to decrease a further 2.0% in 2002. The Taiwanese economy suffered a severe contraction in 2001 as dependence on the export of high tech products left it very exposed to the global downturn in that sector. It is likely that recovery of the tech sector will lag that of the overall global economy. The entry of China into the World Trade Organization and the potential depreciation of the Japanese Yen this year could cause further problems for the Taiwanese economy. Furthermore, decreases in air seat capacity during 2001 and the first quarter of 2002 will limit the potential for recovery during 2002. While the Taiwanese market has good potential, recovery will probably not occur until 2003.

The South Korean market continued a strong recovery from the impact of the Southeast Asian financial crisis of 1997/98 with visitation up 15.1% in 2001. Visitation is now above levels achieved before the financial crisis and growth rates can be expected to moderate. Tourism BC forecasts a pause in growth during 2002, as economic growth slows and the 2002 World Cup impacts outbound travel, with a return positive growth in 2003.

China: Visitation from China grew by an estimated 26.1% in 2001 following growth of 30.4% in 2000. Factors that provide the basis for a forecast 10.0% increase in visitation from China during 2002 include: 1) continued economic growth, 2) pent up demand for travel, 3) ongoing efforts to reduce barriers to Chinese citizens traveling to Canada and, 4) the positive impact of the Canadian Tourism Commission office in Beijing, partnered by Tourism BC, which opened in 2001.

Europe 2002 Outlook	2002 Overnight Visitor Volume Forecast (000s)	% Change From 2001	2002 Overnight Visitor Revenue Forecast ($M)	% Change From 2001
Total	***608***	***-1.8%***	***$622***	***-2.5%***
United Kingdom	286	0.0%	$307	-1.0%
Germany/Austria/Switzerland	142	-1.0%	$171	-2.0%
Netherlands	37	-5.0%	$31	-6.0%
France	26	-5.0%	$21	-6.0%
Italy	19	-5.0%	$15	-6.0%
Other Europe	98	-5.0%	$77	-6.0%

Overnight visitation from Europe is forecast to dip 1.8% during 2002, with a total of 608,000 visitors generating $622 million in revenue in BC. This follows an estimated decrease of 6.0% in visitation during 2001. Visitation from continental Europe was well off before September 11th as economic performance was below expectations, which translated to reduced spending on travel. The lagged effect of the over 20% depreciation of the Euro (in real and nominal terms) since 1999, which has increased the cost of visiting British Columbia, also had a negative effect.

Most European markets are expected to perform weakly during 2002, as economies, other than that of the United Kingdom, grow slowly. Air capacity will also be a constraint this year unless other charters replace the summer air seat capacity from the United Kingdom, Germany and the Netherlands lost as a result of the demise of Canada 3000. Early indications are that some of the seats from the United Kingdom are being replaced but capacity from Germany and the Netherlands is still down.

Primary risks to this forecast are renewed terrorism or safety concerns, air seat capacity constraints, slower than anticipated economic growth during 2002, which would dampen growth in disposable income and consumer confidence, and a further depreciation of the pound and Euro.

United Kingdom: After strong growth in visitation in 1999 (12.0%) and 2000 (11.5%), visitation from the United Kingdom fell 3.8% in 2001, due to a weak summer and decreased travel following September 11th. While British travelers seem to have quickly recovered from the psychological impact of September 11th and visitation increased in both November and December, air seat capacity could be a significant constraint in 2002. The British economy, after showing signs of slowing in 2001, is expected to perform quite well in 2002, which will increase consumer confidence and encourage travel. However, British Columbia will face stiffer competition in this market as some destinations have benefited from a depreciating currency (Australia and New Zealand) and most have increased their United Kingdom marketing budgets significantly.

Germany: Visitation from Germany has declined every year since 1997, with the exception of 1999, as the depreciation of the DM and now the Euro increased the cost of visiting British Columbia. Compounded by September 11th, visitation fell 8.6% during 2001. Continued sluggish economic performance and reductions in direct air capacity from Germany to Vancouver will limit the potential of this market in 2002. However, this will be partially offset by the positive impact of Vancouver hosting the DERTOUR Academy convention in November 2001, which should lead to increased marketing of British Columbia by DERTOUR travel agents in 2002.

Other Europe: Generally the economies of other European countries are expected to perform sluggishly in 2002. This, combined with a weak Euro and safety concerns, will lead to decreases in visitation in the range of 5.0%. Air capacity will also be an issue, as many visitors from other European countries travel through the United Kingdom, Germany or the Netherlands.

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